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THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

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Distribution and Ownership of Demand Deposits in the Third Federal Reserve District

ONE of the most significant developments in the field of banking over the war period has been the unprecedented expansion of bank deposits. Since the outbreak of war in 1939, demand deposits of individuals and business concerns in the United States have more than doubled. This tremendous growth has many implications for the policy decisions of the individual banker, who asks—

How has my bank shared in this expansion?

In the event that his deposits have gone up markedly, as has been the case in most instances, the next question may well be—

How permanent are these new deposits?

Answer to the second question leads to an analysis of the position of the bank with respect to future demands—

How have my investment and loan policies been administered in view of the demands that may be made upon my bank during the post-war period?

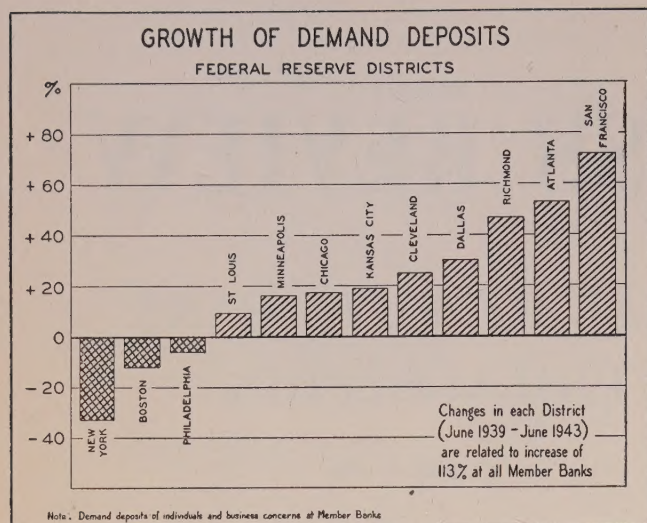
In his position of public trust, the banker naturally gives primary consideration to the safety of deposits; as the focal point for local financial requirements, he has a responsibility for meeting the sound credit requirements of his community; and, as the operator of a going concern, he must have an eye to the proper relationship of income and expense, and the maintenance of earning power. This unique com-

bination of responsibilities calls for the exercise of sound judgment, and the evolution of an adequate policy and program.

The development of an effective banking policy and program is always important to the proper functioning of the economy, and it is essential under current and prospective domestic and world conditions. To the extent that bank management evolves and applies progressive banking standards and methods, it will be able to sustain and enlarge its position of strength and usefulness in the community both in promoting savings and in facilitating the growth of business which is the prime source of employment and income. This consideration is of the utmost importance to individual banks and the banking system as a whole if savings of the community are to be properly directed into productive channels and made a contributory force in maintaining high levels of production and high standards of living.

The Over-all Picture

Growth of deposits. Expansion in the volume of deposits during the thirties and early forties was the result chiefly of a tremendous inflow of gold, which terminated in 1941, and the flood of new securities offered by the Treasury, no small part of which was taken by banking institutions. Between June 1939 and June 1943, a period mainly of intensive defense and war effort, the amount of Governments held by com-



mercial banks and the Federal Reserve Banks increased \$41 billion, accounting for 44 per cent of the total rise in outstanding interest-bearing obligations of the Federal Government.

Deposits at commercial banks, exclusive of interbank balances, increased by about the same amount; \$29 billion of this was in demand deposits of individuals and business enterprises. The striking difference in relative growth of deposits at member banks in the northeastern section of the country as contrasted with other sections is portrayed in the chart. Because of these various rates of expansion, the distribution of deposits over the country has changed considerably over the war period.

DISTRIBUTION OF DEPOSITS OF INDIVIDUALS AND BUSINESS CONCERNS—MEMBER BANKS

Federal Reserve Districts:	Distribution—June		Increase 1939-1943
	1939	1943	
San Francisco.....	7.5%	10.3%	194%
Atlanta.....	3.0	3.9	173
Richmond.....	3.4	4.2	166
Dallas.....	3.6	4.1	147
Cleveland.....	7.1	8.0	141
Kansas City.....	3.6	4.0	135
Chicago.....	13.6	14.8	132
Minneapolis.....	1.8	2.0	131
St. Louis.....	3.1	3.2	123
Philadelphia.....	5.6	5.4	106
Boston.....	6.3	5.9	99
New York.....	41.4	34.2	76
UNITED STATES.....	100.0%	100.0%	113%

The growth of 106 per cent in demand deposits of individuals and businesses at member banks in the Third Federal Reserve District was the third smallest of any Reserve District, and compared with an average of 149 per cent in the nine districts outside of the northeast. In the

GROWTH AND DISTRIBUTION OF DEMAND DEPOSITS

Member Banks	June figures June 1939 = 100			Distribution	
	1939	1941	1943	1939	1943
Third Fed. Res. District					
All members.....	100	139	206	100.0%	100.0%
Reserve city banks.....	100	141	200	59.4	57.8
Country banks.....	100	135	214	40.6	42.2
United States					
All members.....	100	140	213	100.0%	100.0%
Central reserve city banks	100	142	172	43.9	35.5
Reserve city banks.....	100	138	236	32.6	36.1
Country banks.....	100	138	258	23.5	28.4

initial phases of the war effort, the Third District, a highly developed industrial area, was relied upon for immediate production of war materials, and at that stage the proportion of war contracts placed here was high. In time, however, new plants were constructed and conversions were completed in other areas, reducing the share of total war contracts and Government expenditures received by the district.

Further evidence of the geographical expansion of the war effort is found in the figures of deposits classified by location of bank—in central reserve cities (New York and Chicago), in reserve cities, and in areas outside the more important urban centers of the country. In the first two years of war, deposits at banks in central reserve and reserve cities increased as rapidly or more rapidly than at banks located elsewhere. This was reversed subsequently, so that now the so-called “country” banks show the greatest gains. In part this may represent the sharp growth in farm incomes, but a factor which probably is of equal or greater importance has been the spread of war contracts, sub-contracting, development of plants in areas away from the seaboard, and building up of military establishments. Changes in this district and in the United States, based on 1939 as 100, are shown in the table above.

Ownership of demand deposits. While expansion in deposits depends mainly upon national fiscal policies with respect to taxation and borrowing from others as against borrowing from banks, the ownership of deposits hinges in large part upon the decisions of individuals and businesses regarding the use of their incomes. Since little was known about the ownership of deposits, the Federal Reserve System initiated an analysis of the subject in May and conducted another and more complete survey in July.

As of the close of July, 217 banks in the Third Federal Reserve District supplied the Federal Reserve Bank of Philadelphia with data showing the ownership of demand deposits of indi-

viduals, partnerships, and corporations. Ninety-nine banks with less than \$2 million of such deposits classified accounts of \$3,000 to \$10,000, and those over \$10,000; 112 banks with deposits of from \$2 million to \$100 million reported on accounts of from \$10,000 to \$100,000 and those over \$100,000; 6 larger banks gave data on deposits of \$25,000 to \$100,000 and over \$100,000. Since the reporting banks were distributed widely over the area, and since they held 75 per cent and classified 52 per cent of the total at all banks, the sample was deemed sufficiently complete to estimate the distribution of the nearly \$3 billion of demand deposits held by all banking institutions in the Third Federal Reserve District.

OWNERSHIP OF DEPOSITS

Demand deposits of individuals, partnerships, and corporations July 1943	Third Federal Reserve District		United States		% District of United States
	Amount (millions)	% of total	Amount (billions)	% of total	
Domestic business:					
Nonfinancial:					
Manu. and mining	\$ 790	26.5%	\$18.4	33.1%	4.3%
Public utilities, transportation, and communications	264	8.8	3.4	6.1	7.8
Retail and wholesale trade and dealers in commodities	348	11.7	7.5	13.4	4.7
All other nonfin. business, incl. constr. and services	155	5.2	3.5	6.3	4.4
Total nonfinancial	\$1,557	52.2%	\$32.8	58.9%	4.8%
Financial business	405	13.6	6.0	10.7	6.8
Total bus. deposits	\$1,962	65.8%	\$38.7	69.6%	5.1%
Nonprofit associations, clubs, churches, etc.	89	3.0	1.4	2.5	6.5
Personal, including farmers ..	927	31.1	14.3	25.7	6.5
Foreign accounts	3	.1	1.2	2.2	.2
GRAND TOTAL	\$2,981	100.0%	\$55.6	100.0%	5.4%

Although the distribution of deposit ownership in the Third District differs somewhat from that in the country as a whole, the preponderance of demand deposits in both areas is in the accounts of business concerns. Variations in the distribution reflect in large measure differences in the economic composition of the two areas, and the varying degree of expansion during the war years. In the accompanying table, district proportions of national totals in manufacturing and mining, trade, and personal accounts are compared with percentages showing the district's share of activities which may be presumed to give rise to the bulk of such deposits.

As may be seen from the table, the district's share of business demand deposits is scarcely consistent with its share of country-wide economic activity. This is particularly true in deposits of manufacturing and mining enterprises. Although the principal balances of some of the

Relative importance: Percent Third Federal Reserve District to United States	Economic activity	Demand deposits
Population, total (1940)	5.9%	
Labor force (1940)	6.1	
Manufacturing (value added by manufacture—1939) ..	8.1	
Mining—1939: Value of coal production:		4.3%
Bituminous	5.8	
Anthracite	100.0	
Retail trade sales—1939	6.1	4.7
Wholesale trade sales—1939	4.7	
Income payments to individuals (estimate)	6½-7	6.5
Cash farm income—1942 (3 states: Pennsylvania, New Jersey, and Delaware)	3.7	

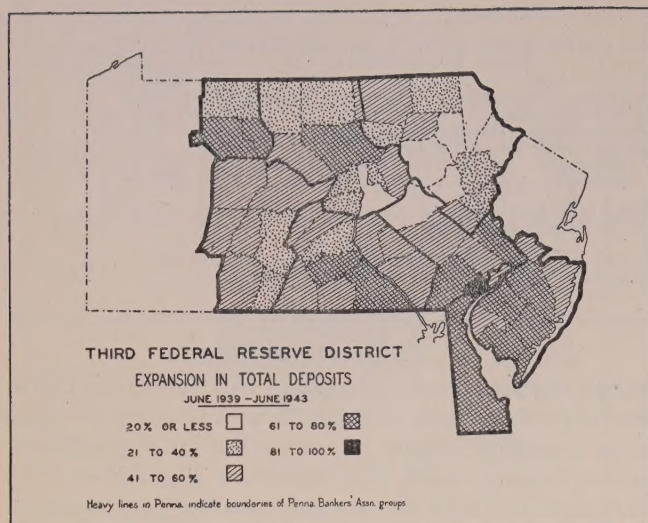
large corporations operating in this district are kept in New York City, in a normal period business deposits might be expected to correspond more closely with the district's portion of national enterprise in manufacturing and mining lines. But the influence of war activity upon the growth of deposits has been considerable, owing largely to the increasing placement of contracts for war materials in other sections. Accounts of public utility, transportation, and communications enterprises and those of financial institutions (which include many trust accounts), constitute larger proportions of the country's totals in these classifications, as might be expected in view of the fact that this area is closely settled and has had a long period of development.

Whereas locally 31 per cent of demand deposits is estimated to be in personal accounts, including those of farmers, nationally 26 per cent is so classified. Higher per capita incomes in the district than in the country make this appear natural. Denser population and more accessible banking facilities may also be contributing factors. The district's proportion of such deposits throughout the country is 6.5 per cent, while income payments to individuals are estimated to be 6½ per cent or more of the national total.

Deposits Within the Third Federal Reserve District

The foregoing discussion gives an over-all appraisal of deposit ownership and the relative growth in the Third Federal Reserve District, but to the individual banker the survey becomes immediately significant when growth and ownership are broken down into areas of the district and by size of bank. The banker is thus enabled to compare the position of his bank with others of similar location and size.

Areas. Examination of total deposits by counties, as indicated on the map, shows the un-



evenness of expansion within the Third Federal Reserve District. The greatest relative expansion has occurred in the southeastern metropolitan section of the district, while the smallest took place in the anthracite region. But because the growth of time deposits at the country banks has on the whole been negligible, many of the differences in growth of total deposits among the various areas are a reflection of the importance of demand deposits.

Returns from the 217 reporting banks as of the close of July were divided into nine area groups, corresponding to those shown by the heavy lines in the map. The areas in the case of Pennsylvania are seven groups of the Pennsylvania Bankers' Association; the nine southern counties of New Jersey and the entire state of Delaware are the other two areas. In most cases the sample was sufficiently large to give a reasonably accurate indication of the ownership of classified large deposits.

OWNERSHIP OF DEPOSITS BY AREAS

Area	No. of reporting banks	Demand deposits of individuals, part., and corporations				
		Classified large deposits				Unclassified smaller deposits
		Nonfin. business	Finan. business	Personal	Other	
Philadelphia.....	23	49%	16%	8%	2%	25%
Southeast — Reading, Chester, Norristown, Pottsville.....	26	37	10	7	2	43
Northeast — Scranton, Wilkes-Barre, Allentown, North-central—Williamsport.....	53	45	9	7	2	37
South-central — York, Harrisburg, Lancaster...	24	37	7	7	2	47
Southwest — Johnstown, Altoona.....	37	37	11	7	2	43
Northwest—Bradford....	23	30	5	9	2	54
State of Delaware.....	4	47	2	12	8	31
Southern New Jersey (nine counties).....	4	37	15	15	3	30
Total.....	217	46%	14%	8%	2%	30%

The various groups agree in one important characteristic: classified deposits, covering the large accounts, are predominantly owned by business concerns. These classified balances account for proportions ranging from a high of 75 per cent in the area covering Philadelphia, to a low of 46 per cent in the case of the area in which Johnstown and Altoona are located. Unclassified smaller deposits may be presumed to be principally personal accounts.

Emphasis has been placed on changes in the ownership and distribution of demand deposits for the reason that changes have been almost entirely in this classification. In this district time deposits have declined over the war period at city banks and have shown little expansion at country banks. For the first time many of the country banks find themselves with a preponderance of deposits withdrawable on demand, a factor to be reckoned with in framing bank policy.

Size of bank. While deposit gains since 1939 have been general, their distribution among size groups has shifted materially during the war period. From 1939 to 1941 balances at member banks with total deposits of \$20 million or more increased relatively twice as fast as at the smaller banks, but in the following year gains at the smaller banks were much more rapid than at the larger banks.

By far the greatest number of banks have demand deposits of less than \$100 million each (and most have less than \$5 million), but these smaller banks hold only 56 per cent of total demand deposits and an even smaller share of total business deposits. Our estimates indicate that in proportion to total demand deposits, business accounts comprise only 40 per cent at banks with less than \$2 million in deposits, 52 per cent at those with \$2-\$5 million of demand deposits, 64 per cent at banks with \$5-\$100 million, and 79 per cent at larger institutions. This reflects the concentration of business balances in comparatively large accounts.

The importance of not underemphasizing the place of the smaller banks, however, is indicated by the fact that three-fourths of personal demand deposits is in banks with less than \$100 million in deposits. Personal and trade deposits decline in importance as size of bank increases.

In the case of accounts over \$100,000, to be found principally at large banks, 93 per cent of

OWNERSHIP BY SIZE OF BANK

Classified by size of demand deposits of individuals & business concerns	Less than \$2 million	\$2-\$5 million	\$5-\$100 million	Over \$100 million	Total
Domestic business:					
Nonfinancial:					
Manufacturing and mining....	10.7%	19.1%	24.4%	35.0%	26.5%
Public utilities, transportation and communications.....	3.1	3.1	5.1	14.7	8.8
Retail and wholesale trade and dealers in commodities.....	16.0	15.5	13.0	8.4	11.7
All other nonfinancial business, includ. construction & service	6.7	6.0	5.5	4.4	5.2
Total nonfinancial.....	36.5%	43.7%	48.0%	62.5%	52.2%
Financial.....	3.2	8.5	16.1	16.4	13.6
Total business.....	39.7%	52.2%	64.1%	78.9%	65.8%
Nonprofit associations, clubs, churches, etc.....	3.8	3.6	3.2	2.4	3.0
Personal, including farmers.....	56.5	44.2	32.6	18.6	31.1
Foreign accounts.....			.1	.1	.1
GRAND TOTAL.....	100.0%	100.0%	100.0%	100.0%	100.0%

total dollar volume was classified as business and only 5 per cent as personal. The converse of this is found in relatively small balances—those of less than \$10,000 or \$25,000, depending upon the size of the reporting bank; here business accounted for only 32 per cent, as against an estimated 65 per cent classed as personal.

Banking Policy: Significance of Survey

In analyzing the significance of these developments to future bank policies, it is convenient to divide the problem into two parts, namely, the future of bank assets and liabilities as a whole and the share of the individual bank in the entire structure.

As to the deposit structure as a whole, further expansion is in prospect during the war to the extent that Government fiscal requirements are met through direct absorption of Government securities by commercial banks or indirectly by an increase in bank credit to facilitate the distribution of these securities to other investors. In any event, the country will enter the post-war period with a vast volume of deposits. The trend of deposits after the war will depend largely upon the extent to which Government debt is in the hands of the banks. Even a decline in gross debt would not necessarily result in smaller holdings by banks since cashing in of securities by the public might result in still larger bank portfolios with accompanying increases in deposits.

Any rise in loans also would tend to increase deposits. One of the important factors that will affect the post-war demand for loans is the liquidity of business and individuals. Available evidence indicates that business in general is

becoming more liquid, as partly indicated by increases in bank balances and holdings of Treasury securities. These accumulations represent largely retained earnings. War industrial facilities have been largely financed by the Government—over three-fourths of the total cost through March 1943. In less essential lines replacement of capital equipment has been difficult, resulting in the accumulation of funds in reserves and amortization accounts. Other factors have been the reduced operations of many concerns as a result of scarcity of labor and materials, and inability to replace inventories. Some part of the accumulation of deposits and securities, of course, is in anticipation of taxes and will be used for that purpose.

The magnitude of business funds suggests that many concerns will be able to finance post-war conversion costs out of their own resources. The ability of many others to do so will depend upon the speed with which the Government effects a settlement of claims arising under the tens of billions of dollars of outstanding contracts. In the case of those businesses which are low in cash and securities and high in inventories and receivables, increased demands for loan accommodation are likely to be made upon the banks.

At the member banks in the Third Federal Reserve District, business paper in loan portfolios increased from \$352 million in June 1939 to about \$500 million late in 1941, but by the middle of the present year there had been a decline to \$330 million. A moderate increase from this exceptionally low level may since have taken place, but it is likely that business loans now account for only about 8 per cent of the outstanding credit of these banks.

Although consumer expenditures for goods and services have been larger than ever before, they have fallen far short of income payments to individuals. In the third quarter income payments in the United States were at an annual rate of \$144 billion; personal taxes and consumer expenditures absorbed \$18 billion and \$91 billion respectively, leaving \$35 billion (annual rate) as net savings of individuals, according to the Department of Commerce. What this means in terms of accumulated purchasing power is suggested by estimates that \$60 billion of the \$113 billion of deposits and currency outstanding last August belonged to individuals, trust funds, and nonprofit organizations. This does not take into account the \$26 billion of savings bonds outstanding at the end of Oc-

tober, most of which are held by individuals. Moreover, consumer indebtedness has been greatly reduced; consumer credit, now less than \$5 billion, is only about one-half of that reported in the early fall of 1941.

It is against this general background that the individual banker must shape his own policies. Just as the uneven stimulus given by the development of war industries and military centers has resulted in uneven distribution of deposits, so shifts of deposits after the war are to be expected. For the individual banker the important thing is to analyze the position of his community in the post-war world. His community will tend to gain deposits as its businesses and individuals sell their products and services outside and will tend to lose deposits as they buy elsewhere. The community's net position will be influenced by such factors as changes in population and working force, the adaptability of local productive facilities to the satisfaction of post-war demand, the expenditures of inhabitants, especially for durable consumers' goods, the needs of business establishments for reconversion and placing operations on a peacetime basis.

Along with the analysis of his deposits the banker will wish to study his prospect for loans. He will then be in a position to determine his investment policies. Some banks are now in a fully invested position. An indication of this is a consistently low proportion of excess to required reserves. Recent figures for member banks in Philadelphia show that this excess has been averaging about 4 per cent; this contrasts with figures for the country banks in the district, which have been carrying balances about 30 per cent above requirements.

Virtually all banks have large volumes of Treasury securities, which can be used as a basis for borrowing from the Reserve Bank. On October 18 members in this district had \$2,959 million invested in Governments, an amount four times as large as before the outbreak of war in Europe. That the bulk of this investment was in bonds is indicated by the more detailed figures as of June 30, showing, in the case of direct Treasury issues: bonds, 59 per cent; notes, 10 per cent; certificates, 18 per cent; and bills, 13 per cent. Four-fifths of the banks had money invested in bills or certificates or both types of securities; in the case of three-fifths of the members, the amount held was equal to more than 40 per cent of reserves.

The growth and distribution of deposit ownership also have broader significance than their effects upon individual bank asset policy. From the standpoint of the economy in this district, as well as other reserve districts, questions may be raised as to whether the large gains in deposits are permanent or temporary; the extent to which deposits may be shifted in peacetime from one district to another and from one type of ownership to another; the areas in the economy that may be subject to the greatest inflationary pressures by reason of the use and possible change in ownership of deposits; and the possibility that individual and business preferences for liquidity have undergone fundamental changes. To such questions may be added even broader considerations, including growth of new industries, relocation of existing industries, and technological changes within industries. All such changes are bound to be reflected in deposits and are of crucial importance from the standpoint of banking and the development of appropriate banking policies. The survey of deposit ownership provides the essential background that our banks must have to facilitate business growth, employment and income.

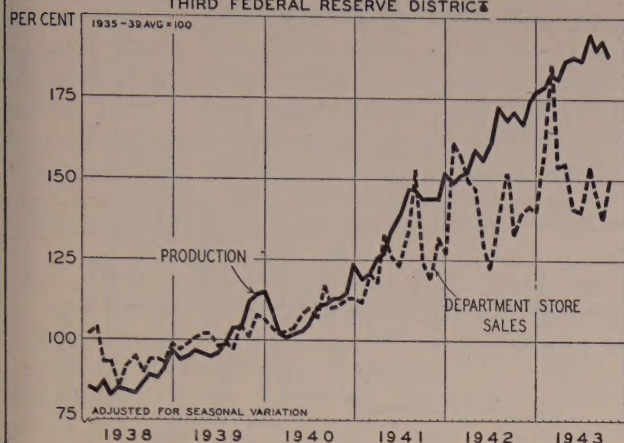
BUSINESS AND BANKING

Manufacturing. The demand for factory products in this district continues near the highest levels reached in the war period. Frequent cut-backs are reported in outstanding contracts for certain types of munitions, but in some cases they are offset by additional placements in other categories, whose relative importance in the total war effort has been increased by developments on the battle fronts. A scarcity of raw materials and limited productive facilities still restrict the production of certain goods, including some textiles and leather manufactures for non-war use, but the greatest single factor preventing increased operations is the shortage of manpower.

Factory employment in Pennsylvania has fluctuated narrowly in recent months, while payrolls have continued to advance to new peaks. The number of wage earners in October, estimated at nearly 1¼ million, was little larger than in September, and only 3 per cent greater than a year ago. Wage disbursements increased slightly in October to a new high of \$52 million a week, exceeding those of a year earlier by 17 per cent. The total number of employee-hours worked was

INDUSTRIAL AND TRADE ACTIVITY

THIRD FEDERAL RESERVE DISTRICT



about 8 per cent above October 1942. In the three and one-third years of defense and war production, employment has risen 39 per cent, payrolls 139 per cent, and working time 84 per cent, reflecting in large part the tremendous expansion in durable goods lines, which supply the bulk of the war materials.

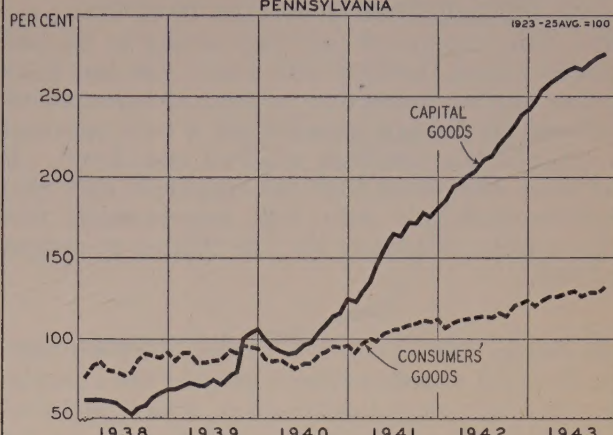
Average weekly income of factory workers at reporting plants in Pennsylvania increased to a record level of \$46.06 in October, from \$45.82 in September and \$40.70 a year ago. Hourly earnings averaging nearly \$1.02 were about the same as in the preceding month, and compared with 95 cents in October 1942. Average working time increased in October to 45½ hours a week per employee, the highest reported since the spring of 1930.

The output of manufactured goods in this district failed to show the customary increase from September to October, but with most munitions plants operating close to capacity and producers of civilian goods making full use of the raw materials and manpower currently available, seasonal changes have lost most of their former significance. Total production was 13 per cent greater than a year ago, owing principally to gains in the heavy industries. In the ten months ended October, the output of durable goods was 30 per cent above the 1942 level, as against an increase of only 2 per cent in the case of lighter products, manufactured chiefly for civilian use.

Coal and other fuels. The demand for solid fuels continues to exceed the supply, necessitating the continuance of restrictions on deliveries to consumers for heating purposes. Substantial

FACTORY PAYROLLS

PENNSYLVANIA



tonnages of anthracite and bituminous coal, temporarily frozen at the mines to meet emergency requirements, have been released for distribution to dealers. Reserves of fuel oils have increased from exceptionally low levels prevailing earlier this year, but stocks in the Eastern rationing area still are below the estimated normal for this season, according to latest official reports.

Operations at collieries in both the hard and soft coal fields slackened considerably during the latter part of October, and production was drastically curtailed in early November, when widespread shutdowns resulted from the failure to negotiate a new contract. Mines were reopened after the WLB on November 6 approved a higher pay scale plan worked out by the Secretary of the Interior, acting as Government custodian of the mines, and representatives of the United Mine Workers. Subsequently, the Office of Price Administration authorized temporary increases in the retail prices of anthracite and bituminous coal, in view of a rise in production costs under the new agreement.

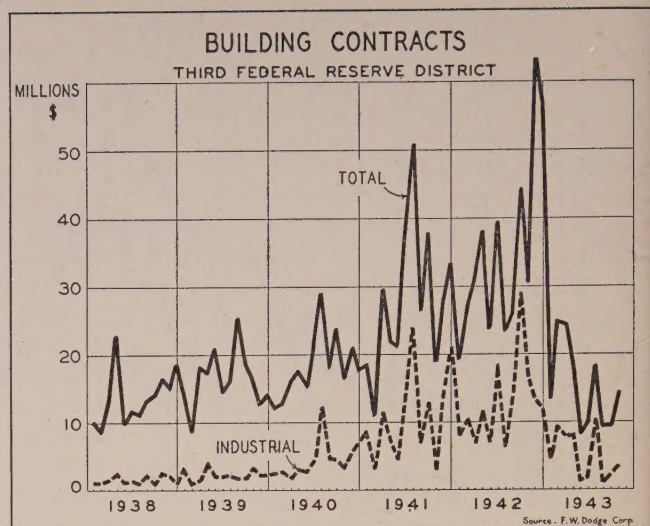
Output of anthracite averaged about 213,000 tons a day in October, as against the 1943 peak of 218,000 reached in July, and some 197,000 reported a year ago. Total production in the first ten months, approximating 51 million tons, was only ½ million tons greater than in the same period of 1942. Requirements for the full year 1943 have been estimated at 65 million tons, a goal that in all probability cannot be reached, since it would necessitate an increase in output of about 2 million tons a month during November and December.

Production of bituminous coal in Pennsylvania decreased in October for the second successive month but continued above the level of a year ago. The volume of soft coal mined in the ten months ended October was 4 per cent less than a year earlier, reflecting several shutdowns occasioned by failure to negotiate a new contract to replace the one that expired last April. It has been estimated that the country's soft coal requirements this year will approximate 600 million tons, as against the 580 million produced in 1942.

Building. Operations in the building industry are directed almost entirely toward the completion of emergency construction, which includes both civilian and military installations. An increasingly large part of new building in the civilian category consists of housing and recreational facilities in or near centers of munitions production to care for the heavy influx of workers and their families from other areas. Factory construction has been declining for some time, and expansion programs undertaken by public utility companies will soon be completed. It appears unlikely that the severe restrictions on nonessential building can be eased in the near future, owing to a critical shortage of manpower throughout the industry and the continuing scarcity of steel, lumber, and other construction materials.

Awards of building contracts in this district have increased from exceptionally low levels prevailing over the summer. New contracts in October approximating \$14½ million, although 50 per cent greater than in the two preceding months, were less than one-half the dollar volume reported a year earlier. All classes of construction except family houses and educational buildings showed substantial declines from 1942. The value of contracts awarded in the ten months ended October was just under \$150 million, as against last year's record of over \$300 million. The sharpest declines were in placements for factory buildings and public works and utilities, which reached exceptionally high levels last year.

Trade. The value of retail sales in most lines continues above 1942 levels in this district and in the country, reflecting to a large extent the influence of higher prices. Increases in the sale of clothing have been especially pronounced and more moderate gains have occurred in the case of many other non-rationed soft goods items in



adequate supply. Declines from a year ago in most types of consumers' durable goods have become steeper month by month, as distributors' inventories neared depletion.

At reporting department stores in this district dollar sales in October were 8 per cent larger than a year earlier. Much sharper gains were shown by establishments specializing in men's and women's apparel, but sales of leather footwear, curtailed by rationing, were smaller than in 1942. At furniture stores, volume was appreciably less than a year ago; cash sales increased but credit purchases declined sharply over the twelve months. Active buying of holiday goods, influenced in part by the fear of shortages later in the season, was largely responsible for an unusually sharp rise from September to October in sales of general merchandise and women's apparel. Preliminary reports indicate that consumer purchases in these lines expanded further in early November.

Department store inventories in October again failed to reflect the increases that are usual in advance of the Christmas buying season, further emphasizing the difficulty of accumulating reserves in the face of continuing shortages in certain lines. Stocks at the close of October were down considerably from a year ago at department and shoe stores, but at establishments specializing in women's apparel increased about one-fifth. Although outstanding commitments for merchandise have declined somewhat since mid-summer, at the end of October they were over twice the dollar volume reported at the same time last year.

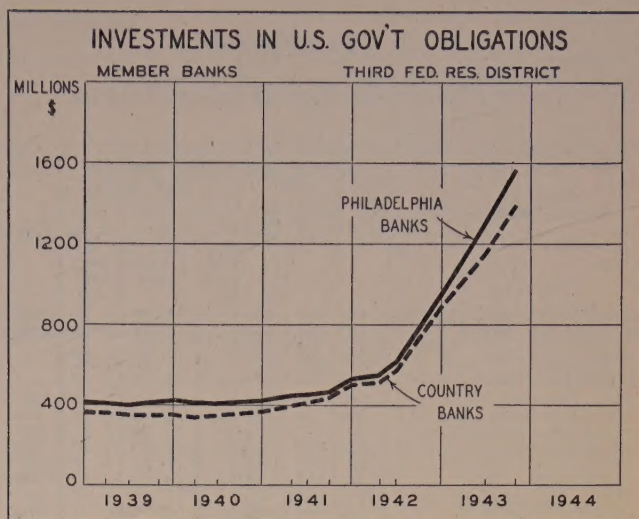
Activity in wholesale lines slackened somewhat from September to October, the sharpest decline in sales—28 per cent—occurring in the case of shoes. The total value of sales in eight reporting branches of the trade was 2 per cent larger than a year ago, a much smaller increase over 1942 than was reported earlier this year. Inventories at wholesale establishments showed only a slight decline in the month, but they were considerably below 1942 in most lines.

Rail freight shipments continue exceptionally heavy throughout the country, according to the latest report from the Association of American Railroads. Class I carriers handled 3 per cent more ton-miles of revenue freight in October 1943 than a year earlier. In the first ten months, the increase over 1942 was 15 per cent and in comparison with 1941 it exceeded 50 per cent. Traffic in this district, measured in number of cars loaded, shows substantial gains over the past twelve months in the movement of less than carlot freight, solid fuels, grain products, and livestock.

Banking conditions. Plans are now being laid for the Fourth War Loan Drive, scheduled to start January 18 and continue until February 15. An over-all goal of \$14 billion from non-banking investors has been set. Special emphasis will be placed upon subscriptions from individuals; this class of investor is assigned a quota of \$5½ billion; it supplied \$5.4 billion last time.

The securities to be offered during the Fourth Drive will comprise Series E, F, and G savings bonds, Series C savings notes, 7/8 per cent certificates of indebtedness, 2¼ per cent bonds of 1956-59, and 2½ per cent bonds of 1965-70. Commercial banks will be given an opportunity to invest a limited portion of their time deposits in the 2¼ and 2½ per cent bonds, but otherwise cannot own these securities until 1946 and 1954 respectively.

All member banks in the Third Federal Reserve District held a record \$2,959 million of United States Government obligations on October 18, according to preliminary tabulations. This investment was four times as large as before the outbreak of war in Europe; it constituted 69 per cent of total earning assets, as against 33 per cent in June 1939 and 8 per cent in 1929. As the chart shows, gains in late years



have been large at both the Philadelphia and country banks.

Since October the investment in Governments has decreased somewhat. Reports from a group of banks in leading cities show that there was a decline of \$69 million to \$1,658 million at these institutions between October 20 and November 24. Holdings of United States bonds increased further, but declines were reported in shorter term issues, the largest being \$75 million in Treasury bills, of which only \$176 million are now held as against a peak of \$308 million seven months earlier. The current reduction in the bill portfolio was due partly to sales to maintain reserves in the face of a decline in deposits. United States Government balances at the reporting banks decreased \$159 million and interbank deposits also were down somewhat. Further gains approximating \$100 million in the demand balances of individuals and business concerns reflected in part the return of a portion of the funds withdrawn and spent by the Government.

For the district as a whole, there was a decline of \$3 million to \$612 million in member bank reserves during the five weeks ended November 24. Approximately \$8 million of reserves was absorbed by operations of the Treasury, and a substantially greater amount through currency demand. These losses, however, were largely compensated for by gains in interdistrict commercial transactions and an increase in Reserve Bank credit. Treasury bills held by the Bank under repurchase option expanded \$24 million to \$258 million, despite the large amounts resold or redeemed at maturity.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
	Oct. 1943	Sept. 1943	Oct. 1942	Per cent change			Oct. 1943	Sept. 1943	Oct. 1942
				Oct. 1943 from		1943 from 10 mos. 1942			
				Mo. ago	Year ago				
INDUSTRIAL PRODUCTION	153p	156	136	-2	+12	+17	155p	156	139
MANUFACTURING	157p	161	139	-2	+13	+19	160p	160	142
Durable goods.....	259p	269	221	-4	+17	+30			
Consumers' goods.....	86p	87	83	-1	+4	+2			
Metal products.....	175	179	157	-2	+11	+12	182	181	163
Textile products.....	67p	66	65	+2	+3	-3	69p	66	68
Transportation equipment.....	750	781	579r	-4	+30	+57	718	740	554
Food products.....	107p	108	95	-1	+12	+13	120p	117	104
Tobacco and products.....	85	92	116	-8	-27	-9	104	106	141
Building materials.....	38p	37	52	+5	-27	-22	41p	39	56
Chemicals and products.....	161	164r	136	-2	+19	+15	163	163r	137
Leather and products.....	98p	100	97	-2	+1	-7	104p	109	104
Paper and printing.....	96	97r	90	0	+7	+3	97	96	91
Individual lines									
Pig iron.....	109	116r	110	-6	-1	-2	108	109r	109
Steel.....	143	149r	130	-4	+10	+8	143	141	130
Silk manufactures.....	83	81	78	+3	+7	+3	85	81	79
Woolens and worsteds.....	54p	54	54	0	-1	-2	58p	58	59
Cotton products.....	48	52	59	-7	-19	-5	50	49	61
Carpets and rugs.....	49p	46	53r	+6	-8	-7	50p	46	56r
Hosiery.....	70	74	74	-5	-5	-2	77	74	81
Underwear.....	140	146	139	-4	0	+3	152	146	152
Cement.....	42p	40	77	+5	-46	-40	47p	46	86
Brick.....	55	54r	69	+2	-20	-12	56	55r	70
Lumber and products.....	27	25	29	+7	-6	-9	28	27	30
Bread and bakery products.....				+1*	+7*	+10*	118	116	110
Slaughtering, meat packing.....	107	110	98	-3	+9	+7	111	112	102
Sugar refining.....	121	98	44	+24	+176	+48	102	84	37
Canning and preserving.....	115p	127	96r	-10	+19	+28	169p	165	131
Cigars.....	83	91	115	-9	-28	-11	102	106	141
Paper and wood pulp.....	84	83r	82	+2	+3	0	86	83r	83
Printing and publishing.....	99	99	92	-1	+7	+3	100	98	93
Shoes.....	112	112	119	0	-6	-5	121	128	129
Leather, goat and kid.....	85p	88	77	-4	+10	-11	88p	92	80
Paints and varnishes.....	92	103	83	-10	+11	+5	99	98	89
Coke, by-product.....	165	171	163r	-4	+2	+2	162	165	159
COAL MINING	81	83	76r	-2	+8	+1	82	83	76
Anthracite.....	80	81	74r	-1	+8	+1	80	81	74
Bituminous.....	93	101r	88	-8	+5	-4	100	103r	95
CRUDE OIL	388	403	458	-4	-15	-11	388	403	458
ELEC. POWER—OUTPUT	400	414	365	-3	+9	+11	412	406	376
Sales, total.....	440	443	371	-1	+19	+15	440	438	371
Sales to industries.....	383	347	290	+10	+32	+21	372	368	282
BUILDING CONTRACTS									
TOTAL AWARDS†	42	49	126	-14	-67	-34	43	48	130
Residential†.....	38	36	45	+5	-17	-2	43	42	52
Nonresidential†.....	38	59	243	-36	-84	-47	37	56	233
Public works and utilities†.....	55	47	110	+17	-50	-38	58	43	116

* Unadjusted for seasonal variation.

p—Preliminary

† 3-month moving daily average centered at 3rd month.

r—Revised.

Local Business Conditions*

Percentage change—October 1943 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail Sale		Debits	
	Sept. 1943	Oct. 1942	Sept. 1943	Oct. 1942	Sept. 1943	Oct. 1942	Sept. 1943	Oct. 1942	Sept. 1943	Oct. 1942
Allentown.....	+1	-2	+2	+14	+3	+238	+17	+7	-12	+7
Altoona.....	0	+10	+1	+14	-24	-8	+10	+10	-9	+8
Harrisburg.....	+1	-8	+3	+4	-87	-78	+8	+13	-17	-1
Johnstown.....	-1	-3	+1	+16	+199	+265	+13	0	-12	-2
Lancaster.....	+1	+8	+3	+21	-70	+182	+15	+13	-6	+15
Philadelphia.....	+1	+8	+1	+21	-65	-91	+15	+9	-19	+11
Reading.....	0	-3	+1	+11	-67	+241	+13	+12	-13	+11
Scranton.....	0	+14	+4	+27	+30	+128	+12	+19	-47	+8
Trenton.....					+64		+13	+18	-9	+13
Wilkes-Barre.....	-1	-14	+6	-31	-36	+52	+9	+15	-9	+13
Williamsport.....	0	+3	-1	+13	-9	-18			-8	-18
Wilmington.....	-4	+21	-7	+33	+43	+348	+11	+3	-12	+12
York.....	0	-5	+2	+4	0	-88	+10	+9	-13	+9

* Area not restricted to the corporate limits of cities given here.

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932 = 100	Employment			Payrolls		
	Oct. 1943 index	Per cent change from		Oct. 1943 index	Per cent change from	
		Sept. 1943	Oct. 1942		Sept. 1943	Oct. 1942
GENERAL INDEX	135	+1	0	326	+1	+14
Manufacturing.....	184	0	+3	484	+1	+17
Anthracite mining.....	50	0	-19	91	+2	+8
Bituminous coal mining.....	82	-1	-15	346	-2	+12
Building and construction.....	51	-10	-9	132	-8	+5
Quar. and nonmet. mining.....	96	-2	-18	317	0	+7
Crude petroleum prod.....	138	-1	-3	219	-3	+10
Public utilities.....	99	-1	-3	140	0	+6
Retail trade.....	118	+9	+3	158	+8	+1
Wholesale trade.....	106	0	+7	147	0	+6
Hotels.....	102	+1	+3	163	+4	+13
Laundries.....	100	+1	-9	157	+2	+1
Dyeing and cleaning.....	97	+1	-7	167	+9	+1

Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	Oct. 1943 index	Per cent change from		Oct. 1943 index	Per cent change from	
		Sept. 1943	Oct. 1942		Sept. 1943	Oct. 1942
TOTAL	119	0	+3	197	+1	+1
Iron, steel and products.....	131	0	+4	280	+1	+1
Nonferrous metal products.....	195	+1	+2	411	+4	+1
Transportation equipment.....	150	0	+20	258	0	+2
Textiles and clothing.....	83	0	-6	122	+5	+1
Textiles.....	75	0	-6	114	+5	+1
Clothing.....	112	0	-8	165	+4	+1
Food products.....	121	0	+1	178	+2	+1
Stone, clay and glass.....	90	+1	-4	133	+3	+1
Lumber products.....	51	0	-3	81	+5	+1
Chemicals and products.....	124	0	+5	213	+1	+2
Leather and products.....	77	-1	-16	113	0	-1
Paper and printing.....	103	+1	+3	146	0	+1
Printing.....	95	+1	+4	128	-2	+1
Others:						
Cigars and tobacco.....	58	-1	-15	80	-1	-1
Rubber tires, goods.....	143	+2	+29	284	+4	+5
Musical instruments.....	100	+4	+31	173	+3	+4

* Figures from 2906 plants.

Hours and Wages

Factory Workers Averages October 1943 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	45.5	+5	\$1.018	+8	\$46.06	+1
Iron, steel and prods.....	47.0	+6	1.086	+6	51.02	+1
Nonfer. metal prods.....	46.0	+6	.956	+8	43.97	+1
Transportation equip.....	47.5	0	1.157	+5	54.98	+1
Textiles and clothing.....	40.3	+3	.739	+11	28.68	+1
Textiles.....	41.4	+4	.763	+11	31.53	+1
Clothing.....	37.7	+1	.679	+11	25.65	+1
Food products.....	44.4	+5	.781	+11	34.79	+1
Stone, clay and glass.....	41.2	+6	.883	+3	36.29	+1
Lumber products.....	44.5	+3	.746	+14	33.09	+1
Chemicals and prods.....	45.1	+10	1.027	+4	46.16	+1
Leather and products.....	40.9	+3	.723	+8	29.33	+1
Paper and printing.....	43.4	+5	.869	+5	38.01	+1
Printing.....	40.7	+6	1.014	+5	41.31	+1
Others:						
Cigars and tobacco.....	41.8	+2	.601	+9	25.08	+1
Rubber tires, goods.....	44.2	+4	.998	+15	44.09	+2
Musical instruments.....	48.1	+7	.945	+2	45.42	+1

* Figures from 2754 plants.

† Figures from 2906 plants.

Distribution and Prices

Wholesale trade adjusted for seasonal variation	Per cent change		
	October 1943 from		1943 from 10 mos.
	Month ago	Year ago	1942
Total of all lines.....	- 3	+ 2	+11
Food and shoes.....	-28	-30	+11
Dry goods.....	+ 1	0	+ 4
Electrical supplies.....	- 4	+ 5	+19
Groceries.....	- 7	-31	+23
Hardware.....	+ 1	+16	+13
Jewelry.....	+ 1	- 7	-10
Apparel.....	0	-21	- 8
Inventories	- 4	+25	- 6
Total of all lines.....	- 1	-16	.....
Dry goods.....	- 2	-26	.....
Electrical supplies.....	- 4	-42	.....
Groceries.....	+ 3	+ 5	.....
Hardware.....	1	- 3	.....
Jewelry.....	+ 2	-31	.....
Apparel.....	- 8	-21	.....

Source: U. S. Department of Commerce.

Prices	Oct. 1943	Per cent change from		
		Month ago	Year ago	Aug. 1939
Commodities				
Aug. 1939 = 100.....	178	0	+ 5	+ 78
Wholesale (1926 = 100).....	103	0	+ 3	+ 37
Arm.....	122	- 1	+12	+100
Food.....	105	0	+ 2	+ 56
Other.....	97	0	+ 2	+ 21
Living costs				
1935-1939 = 100.....	124	0	+ 5	+ 26
United States.....	124	+ 1	+ 5	+ 26
Philadelphia.....	137	+ 1	+ 9	+ 47
Food.....	131	0	+ 4	+ 32
Clothing.....	107	0	0	+ 4
Rent.....	106	0	+ 2	+ 10
Fuels.....	125	0	+ 2	+ 24
Household furnishings.....	116	+ 1	+ 3	+ 15
Other.....				

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Oct. 1943	Sept. 1943	Oct. 1942	Per cent change			Oct. 1943	Sept. 1943	Oct. 1942
				October 1943 from		1943 from 10 mos. 1942			
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	150p	138	139	+ 8	+ 8	+ 6	171p	149	159
Philadelphia.....	147	136	137	+ 9	+ 7	+ 6	171	146	159
Women's apparel.....	147	137	123	+ 7	+20	+20	168	160	141
Men's apparel.....	151	150	117	+ 1	+29	+ 5	169	135	131
Shoe.....	130p	138	143	- 6	- 9	- 2	146p	157	161
Inventories									
Department stores—District.....	140p	156	160	-10	-12	.....	165p	165	188
Philadelphia.....	136	157	163	-13	-16	.....	162	165	193
Women's apparel.....	180	182	148	- 1	+22	.....	220	212	181
Shoe.....	88p	87	103	+ 1	-15	.....	95p	94	111
FREIGHT-CAR LOADINGS									
Total.....	136	138	133	- 1	+ 3	- 2	147	154	143
Merchandise and miscellaneous.....	129	131	128	- 1	+ 1	- 3	137	142	135
Merchandise—l.c.l.....	85	87	75	- 3	+13	- 2	90	90	79
Coal.....	135	145	124	- 7	+ 8	- 1	148	160	138
Ore.....	185	183	189	+ 1	- 2	-11	266	295	271
Coke.....	188	200	174	- 6	+ 8	+ 1	214	212	197
Forest product.....	102	109	114	- 7	-11	- 6	119	137	134
Grain and product.....	152	131	136	+16	+12	+ 5	152	130	136
Livestock.....	132	123	121	+ 7	+ 9	+12	154	148	142
MISCELLANEOUS									
Life insurance sales.....	105	109	75	- 3	+40	+10	109	96	78
Business liquidations	.....	.....	.....	+ 25*	-71*	-65*	15	12	51
Number.....	.....	.....	.....	+368*	+58*	+20*	29	6	19
Amount of liabilities.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Check payments.....	167	220	146	- 24	+14	+19	164	198	143

* Computed from unadjusted data.

p—Preliminary.

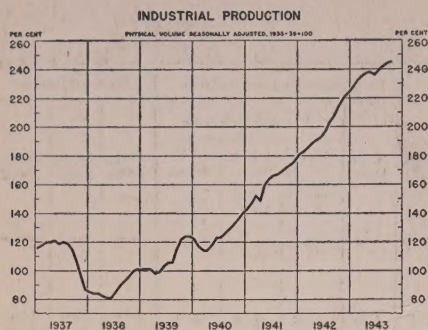
BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

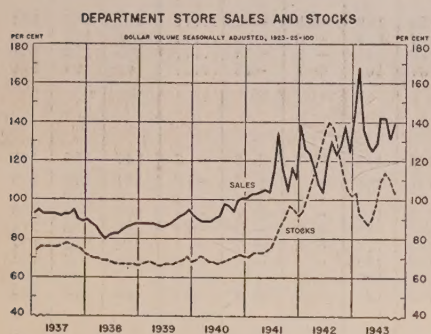
Reporting member banks (000,000's omitted)	Nov. 24, 1943	Changes in—		Nov. 24, 1943	Changes in weeks ending—					Changes in five weeks
		Five weeks	One year		Oct. 27	Nov. 3	Nov. 10	Nov. 17	Nov. 24	
Assets										
Commercial loans.....	\$ 245	+\$ 1	-\$ 8							
Loans to brokers, etc.....	43	.....	+ 18							
Over loans to carry secur.....	11	- 2	*							
Loans on real estate.....	41	- 2	- 6							
Loans to banks.....	103	- 2	*							
Total loans.....	\$ 443	-\$ 5	-\$ 16							
Government securities.....	\$1587	-\$68	+\$679							
Investments fully guar'eed.....	71	- 1	+ 8							
Other securities.....	180	- 6	- 65							
Total investments.....	\$1838	-\$75	+\$622							
Total loans & investments.....	\$2281	-\$80	+\$606							
Reserve with F. R. Bank.....	373	+ 9	- 56							
Cash in vault.....	28	- 1	+ 1							
Advances with other banks.....	77	- 5	- 34							
Other assets—net.....	62	.....	- 4							
Liabilities										
Demand deposits, adjusted.....	\$1594	+\$96	+\$ 99							
Time deposits.....	163	+ 1	- 5							
U. S. Government deposits.....	494	-159	+ 460							
Member bank deposits.....	330	- 19	- 60							
Overdrawings.....	3	+ 3	+ 3							
Other liabilities.....	12	.....	.....							
Total account.....	225	+ 1	+ 6							
Philadelphia Federal Reserve District (Millions of dollars)										
Sources of funds:										
Reserve Bank credit extended in district.....	+15.9	-49.1	+34.0	- 5.7	+23.5	+23.6				
Commercial transfers (chiefly interdistrict).....	- 5.7	+30.3	- 9.8	+ .8	+10.4	+26.0				
Treasury operations.....	-14.1	+36.8	- 2.3	+ 1.5	-30.4	- 8.5				
Total.....	- 3.9	+18.0	+21.9	- 3.4	+ 8.5	+41.1				
Uses of funds:										
Currency demand.....	+ 6.5	+11.0	+12.7	+ .7	+13.9	+44.8				
Member bank reserve deposits.....	-11.0	+ 6.0	+ 7.2	- 1.2	- 4.1	- 3.1				
"Other deposits" at Reserve Bank.....	+ 0.6	+ 1.4	+ 2.0	- 2.9	- 1.3	- 0.2				
Other Federal Reserve accounts.....	- 0.0	- 0.4	- 0.0	+ 0.0	+ 0.0	- 0.4				
Total.....	- 3.9	+18.0	+21.9	- 3.4	+ 8.5	+41.1				
Member bank reserves (Daily averages; dollar figures in millions)										
Held	Re- quired	Ex- cess	Ratio of excess to re- quired							
Phila. banks										
1942: Nov. 1-15..	\$393	\$337	\$56	17%						
1943: Oct. 1-15..	347	329	18	6						
Oct. 16-31..	351	336	15	5						
Nov. 1-15..	360	347	13	4						
Country banks										
1942: Nov. 1-15..	235	170	65	39						
1943: Oct. 1-15..	272	196	76	39						
Oct. 16-31..	263	200	63	32						
Nov. 1-15..	264	204	60	29						
Federal Reserve Bank of Phila. (Dollar figures in millions)										
Bills discounted.....	\$ 4.1	+\$ 3.4	+\$ 2.9							
Bills bought.....	0	0	0							
Industrial advances.....	4.4	+ 0.0	- 0.6							
U. S. securities.....	706.6	+ 45.6	+ 331.0							
Total.....	\$715.1	+\$49.0	+\$333.3							
Note circulation.....	1100.2	+ 39.8	+ 281.3							
Member bk. deposits.....	611.6	- 3.1	- 32.2							
U. S. general account.....	24.0	-15.7	+ 23.8							
Foreign deposits.....	125.3	+16.3	+ 58.1							
Other deposits.....	3.5	- 0.2	- 6.6							
Total reserves.....	1161.3	- 9.3	- 11.7							
Reserve ratio.....	62.3	- 1.8%	- 13.9%							

Figures not available.

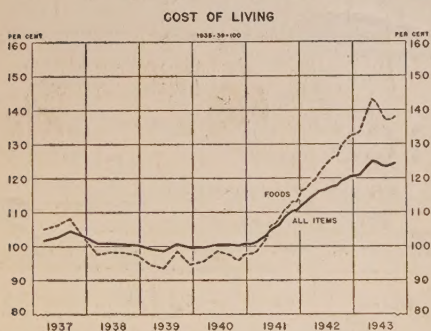
National Summary of Business Conditions



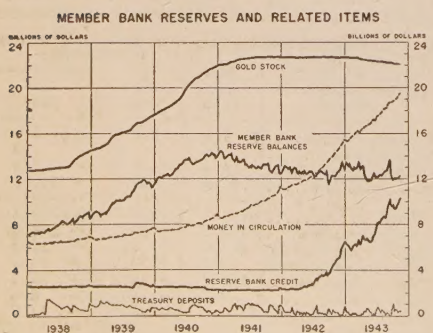
Federal Reserve index. Monthly figures, latest shown are for October, 1943.



Federal Reserve indexes. Monthly figures, latest shown are for October, 1943.



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940, monthly thereafter. Mid-month figures, latest shown are for October, 1943.



Wednesday figures, latest shown are for November 17, 1943.

Industrial activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

Industrial production. The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was 245 per cent of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,362, or 11 per cent more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 deadweight tons.

Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of the metal. Lumber production declined somewhat more than usual at the end of the season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products as a whole showed little change and was at about the level of a year ago. Cement production in October was down 40 per cent from last year but production of other stone, clay and glass products, like glass containers and asbestos and abrasive products, was considerably higher than last year.

Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11 per cent below last year in October and declined further in the early part of November. Meatpacking, however, was at an exceptionally high level in October and continued to increase sharply in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6 per cent in October and dropped sharply further during the first week of November but increased in the middle of November.

The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corporation, continued at the low level of other recent months. Total awards this year have been 60 per cent smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

Distribution. Department store sales in October and the first half of November were 10 per cent larger in dollar volume than in the same period last year, and allowing for seasonal changes, sales were somewhat higher than in the third quarter of this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

Carloadings of railway freight in October were slightly less than in September, reflecting chiefly declines in shipments of coal and ore. Loadings of grain increased sharply to a level 20 per cent greater than in October 1942, and livestock shipments were the highest in recent years.

Commodity prices. Grain prices advanced in the early part of November while prices of livestock declined as livestock marketings expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

The total cost of living which had declined 1.4 per cent during the summer, according to the Bureau of Labor Statistics, rose .8 per cent from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

Bank credit. The average level of excess reserves at all member banks was around 1.1 billion dollars in mid-November reflecting some decline from the comparable October period. During the four weeks ending November 17, reserve funds were supplied to member banks by an increase of over 900 million dollars in the Government security portfolio of the Reserve Bank. Increased holdings consisted largely of bills purchased under option and a part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of 540 million dollars and a continued increase in required reserves as Treasury disbursements transferred funds from reserve-exempt war loan accounts to private deposits.

Following substantial bank purchases of special Treasury offerings in mid-October, Government security holdings at reporting member banks in 10 leading cities declined somewhat over the following month. The principal decrease was in holdings of bills at banks outside New York. Commercial loans while decreasing during the past two weeks, showed a net gain for the four week period, while loans on securities, which rose to a high level during the Third War Loan Drive, declined substantially.